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18TH DISTRICT, CALIFORNIA

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SUBCOMMITTEE ON LIVESTOCK, DAIRY AND POULTRY

SUBCOMMITTEE ON
CONSERVATION, CREDIT, ENERGY AND RESEARCH

Congress of the United States
House of Representatives
Washington, DC 20515-0518

April 10, 2009

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Honorable Tom Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, DC 20250

Dear Secretary Vilsack:

Thank you for the opportunity to discuss the on going dairy crisis. As we discussed yesterday, dairy producers appreciate the action you took recently to use the Commodity Credit Corporation's stock of non-fat dry milk powder to help blunt the impact of this crisis. The long term storage of this amount of product would have extended even further any long-term price recovery. Despite this very useful action, however, additional and swift action with the implementation of the Dairy Export Incentive Program (DEIP) is still needed, as milk prices remain devastatingly low.

According to the California Department of Food and Agriculture, statewide average production costs are at \$19.58 per hundredweight. Without including a return on investment or return on management, costs average \$17.33 per hundredweight and California producers are still averaging a negative margin of over \$9.50 per hundredweight. Dairy farmers are struggling to hang on, and many have lost or will lose dairies that have been in their families for generations. Everywhere we go in our districts, producers tell us that this is the most serious crisis in prices that they have ever experienced and we have personally witnessed the devastating toll that this crisis has had on hard working dairy families in our districts.

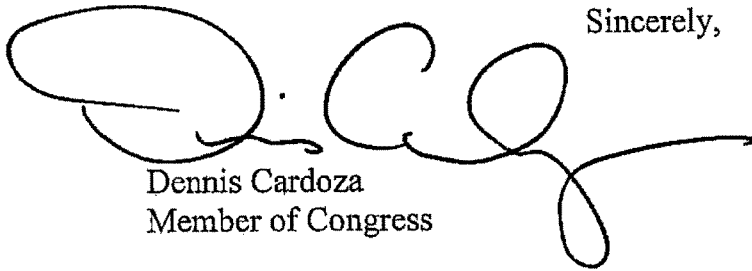
Dairy producers are taking action on their own, with the slaughter figures showing heavy culling nationwide. Since February, there has been an 18% increase from last year of the number of dairy cows sent to slaughter. Furthermore, producers and cooperatives are also in the process of another cow retirement program under the Cooperatives Working Together program. This program has secured a line of credit in order to help fund the next round of herd retirement, and is now accepting bids from producers.

We thank you for your commitment to reinstate DEIP. Unfortunately, implementation of this very useful tool has not yet taken place. As you know, in addition to additional purchases of CCC product, DEIP is the single most important action that can be taken to help stabilize product supply and demand. This program will help the dairy industry to maintain export market relationships that they created in the past few years when markets were tight. DEIP is a critical tool that will assist in moving dairy products to foreign buyers instead of having stocks overhang our market or stored in a CCC warehouse.

Mr. Secretary, we appreciate your working with the US Trade Representative and the State Department to secure the necessary actions to immediately implement DEIP immediately. With worldwide decline in demand for dairy products, and with our major trade competitors aggressively redeploying dairy export subsidies, it is essential that DEIP be utilized to help level the playing field for American dairy farmers.

Again, thank you for your commitment to addressing this serious crisis.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Dennis Cardoza
Member of Congress

A handwritten signature in black ink, appearing to be 'Jim Costa' with a stylized flourish at the end.

Jim Costa
Member of Congress